EMBARK BEYOND

TRAVEL TRENDS

FROM THE FRONTLINE

Q2: 2023

By: Jack S. Ezon

Despite the promise that a recession will happen, boom(!), 2023 launched with incredible promise and continues to flourish. Business seems even stronger than the epic 2022 with no fear of recession, ongoing war, or political situations in site. Who knows what tomorrow will bring, but for now we are focused on THE NOW!

While 2022 was record-setting for many, it is important to acknowledge things in the context that the world was still not fully opened this time last year. Most of Southeast Asia, South America and the South Pacific were still off-limits. Their opening created a predictable market shift in demand and lost compression in many destinations. The biggest shifts we see presently are in markets that were first to thrive throughout the heart of the pandemic. Mexico, much of the Caribbean and the USA are notably weaker. Conversely, Europe still seems to be on a steady upward course. Meanwhile, the South Pacific and Eastern Asia (specifically Thailand and Japan) reflect the deluge that Europe went through in 2022. Because so much is still shifting and coming back online, it is truly challenging to find long-term client booking patterns. We will probably get a better glimpse of that towards the middle to end of 2024 as the pendulum falls and the world normalizes back to some type of equilibrium.

As you will see, the first quarter of the year was jamming not just with the typical winter and spring break bookings but an unusually high number of confirmed trips to Europe this summer. While most of our clients book 4-8 weeks in advance, this year we are seeing that booking window grow to 4-8 *months* out. In addition, the metrics below reflect performance in 2022 and Q1 of 2023 which we all know are an anomaly as the world reaches for balance after the post-Covid world continues to open and adjust for demand.

And yes, this whole recession "thing" is looking wonkier every day and, on a whole, despite incredible performance, we expect the market to soften -- the question is, when? No doubt a downward adjustment will be painful, but we also think our hospitality industry needs some normalization. The current situation is not sustainable. And so, while we may be in for a painful adjustment, hopefully good planning, conservative cash expenditure and conservative budgeting will help us all succeed with what's ahead.

This second quarter edition of our 2023 Luxury Travel Trends focuses on performance metrics. While it may seem a bit dull, we always find it enlightening in showcasing some hard-core trends, especially by destination. We will share EMBARK Beyond' s actual production and top destinations for 2022 plus pace for 2023. We also examine booking patterns, micro-drivers by region, as well as by travel category. Lastly, we outline our trajectory of rate patterns and closure patterns which we thought may be insightful to you.

While reviewing the below it is important to remember that our lens on the marketplace is extremely skewed. Embark caters to the very slim ultra-high-net-worth customer with a core client age of 30-55 and an average spend of just over $3,600/night. While we have advisors on 6 continents, 70% of our business remains American. Relatively speaking, we are just a small $250 million company, recently celebrating our 4th anniversary.

Be sure to look out for our third quarter publication which will examine distribution and technology trends (hello generative AI!!), general market trends, and general (not travel-specific) consumer behavior observations that we think affect the luxury space (holistically), and the travel marketplace in general. We will be back again fourth quarter to reassess luxury travel trends (specifically) and focus on new products, top destinations and business opportunities for 2024.

In the meantime, we encourage you to register here for our **Embark Immersion, 2023,** held at **Nizuc Riviera Maya** to join in the ultimate luxury business experience.

As always, we relish your feedback and your own observations. Please communicate what you want to see in the future so we can track it and report back.

We look forward to hearing from you!

Jack Ezon

General Performance & Pace

Key Performance Indicators: Annual key performance indicators are usually a harbinger for what's ahead. This year however, is, no doubt an anomaly. Business metrics across the hospitality world have been artificially inflated as "post"-Covid demand exploded beyond supply. In 2022, our average nightly rate grew 56% over 2019 which was the last time we reported our metrics. While incredible it is likely not that much different from most luxury travel companies. Further, as exciting as it was to see, pushback on rate and its relative value is growing. And so, we reflect on our current metrics with trepidation on the future.

Below is a summary of our 2022 numbers:

- Revenue per transaction growth (over 2019): 92%
- Transactions were up: 41%
- Average Room Rate: $3,682
- Average room rate was up by 56%
- Average transaction was US $32,401
- Average length of stay was 7.5 nights (almost the same as last year); This breaks down:
  - Q1: 5.3 nights
  - Q2: 5.9 nights
  - Q3: 9.8 nights
  - Q4: 6.1 nights

Closure Rate: Our closure rate shifted from 42% in 2021 to 76% in 2022, and hit 81% in Q1 of 2023. The churning and double-booking fiascos of 2020 and 2021 have finally waned and clients generally traveled on trips they planned. The 3 biggest issues in closing business were (and continue to be):

1. *Availability*: Space was our biggest challenge across the board, which is no surprise in most areas where demand exceeded supply. If an advisor could finally find a great hotel they were challenged to find a driver, a boat, a guide or even a flight.
2. *Value*: Rates at some point became obnoxious boarding on insulting. Shockingly high air rates were one of the biggest inhibitors to closing.
3. *Rate integrity*: Rate disparity also caused us to lose business, especially in the resort market beginning with Q3 of 2022, when demand for the Caribbean, Mexico and Indian Ocean began to soften.

Metric Trajectory Summary

	Closure %	Avg. Transaction (excluding events)	Avg. Stay	Return Rate	Avg. Nightly Rate	Fees as % of Revenue
2023 (predict)	81%	$ 26,602.50	7.50	13%	$ 3,547.00	34%
2022	76%	$ 32,401.60	8.80	13%	$ 3,682.00	31%
2021	42%	$ 9,450.00	4.50	12%	$ 2,100.00	33%
2019	79%	$ 16,182.75	7.10	12%	$ 2,279.26	37%
2018	86.7%,	$ 11,778.00	6.04	12%	$ 1,950.00	35%
2017	87%	$ 12,143.69	6.50	11%	$ 1,868.26	31%
2016	71%	$ 7,936.50	5.50	10%	$ 1,443.00	29%
2015	88%	$ 10,919.19 $ -	5.90	11%	$ 1,850.71	34%
2014	85%	$ 10,274.11 $ -	6.10	10%	$ 1,684.28	26%
2013	83%	$ 9,075.20 $ -	6.40	11%	$ 1,418.00	22%
2012	86%	$ 7,917.75	5.75	10%	$ 1,377.00	24%
2010	84%	$ 6,279.00	5.98	11%	$ 1,050.00	15%
2009	88%	$ 6,808.32 $ -	5.91	11%	$ 1,152.00	18%

Market Segments: Gen X (ages 30-55) still remains our core client base, with Millennial clients representing our second largest segment. For 2022 our market segment was broken down as follows:

- Gen Y: 4%
- Millennial: 26%
- Gen X: 56%
- Baby Boomer: 14%

Next please find a summary of metrics by region and driver of travel.

I. Regional Metrics:

On the rise: Antarctica, Morocco, Japan, Paris, Egypt, Sicily, Canada, Ireland, Scotland, Slovenia, Dubai, Switzerland, Croatia/Montenegro, Panama, South Africa, Costa Rica, Israel, Southeast Asia/Indochina (Vietnam, Laos), Galapagos, Sweden (Stockholm), Norway, Italy (Amalfi Coast, Puglia, Florence, Venice), St. Tropez/ Cote d'Azur, St. Barts, Australia, Argentina, Cartagena, Chile, Mexico City, Fiji, European Skiing, New Zealand, Botswana, East Africa (Kenya/Tanzania), Rwanda, Expedition Cruises, Turkey.

Strong but flat: Tuscany, The Netherlands, Greece, Spain (San Sebastian/Basque, Ibiza, Marbella, Mallorca), London, Rome, Portugal, Maldives, Tahiti/Bora Bora, Berlin, Los Cabos, Indonesia, UK (beyond London), Arctic, North American Ski Resorts, Glamping and Ranch Vacations.

Struggling: Cuba, Hong Kong, Miami, Nashville, Austin, California (Los Angeles/Southern California, Napa Valley), Caribbean, Iceland, Dominican Republic, Sri Lanka, Turkey, Belize, Russia, The Baltics, Germany, Tunisia, Brazil, Peru, Costa Rica, Hawaii, China, Russia, Myanmar, Bhutan, and National Parks.

A. Destination Performance Indicators

Europe: As of Q2, 2023 Europe is set to have another explosive year. Pace for European bookings is up a whopping 82% over 2022. ADR in Europe is up about 8% over last year as well. Even the typical jetsetters heading to Mediterranean destinations that don't usually wake up to book until May or June are getting a jump start on their European plans. While dramatic, we expect this advanced booking phenomenon to be an anomaly for 2023 based on a few factors: (1) this time last year, the world was still not fully opened (believe it or not). Covid was going for another intense round winter 2022 and testing was required to enter or return to most countries, (2) so many people were scarred by the sudden deluge of demand, lack of options and crazy prices that they decided book in advance, and (3) attractive advanced rates for transatlantic flights were 60% lower than peak rates in 2022. In Q2 pace, France and Italy take back their historical lead spots, with Greece and Spain losing market share for 2023. We anticipate a later "catch up" for these latter countries and people get "priced-out" of overrun destinations or simply cannot find desired space.

One thing that we do hope will last is the elongated European season. European resorts that usually peak between June and September are now booming from April to October. Cities that are usually quiet in July and August were jamming in 2022 a trend that looks equally as strong for 2023. Rates during prime seasons of September, October, May and June are up about 35% with rates and bookings for the often-quieter months of November, March and April also up about 25%.

Another remarkable shift we have seen is in our destination event business where over 65% of our events in 2023 and into 2024 are set to take place in Europe with an average of $2.9 million budgets and 225 people each.

We believe the familiarity of Europe and its reliable experience has made it such a crowd pleaser.

- **Iconic Cities** such as Paris, Rome, Milan and Madrid remain strong, about 20% ahead of pace from 2022. London was the one city in which we saw a drop in business down just 1.5% from 2019, though futures seem to be picking up steadily. Paris performance, on the other hand, has had the most significant growth in rate and revenue, up nearly 41% from 2019. We are shocked but pleased to see that the demonstrations in France did not curtail client interest and demand. Pre-Covid events and media surrounding this would have decimated business. We believe our clients (especially Americans) are "numb" to negative, sensationalized media.

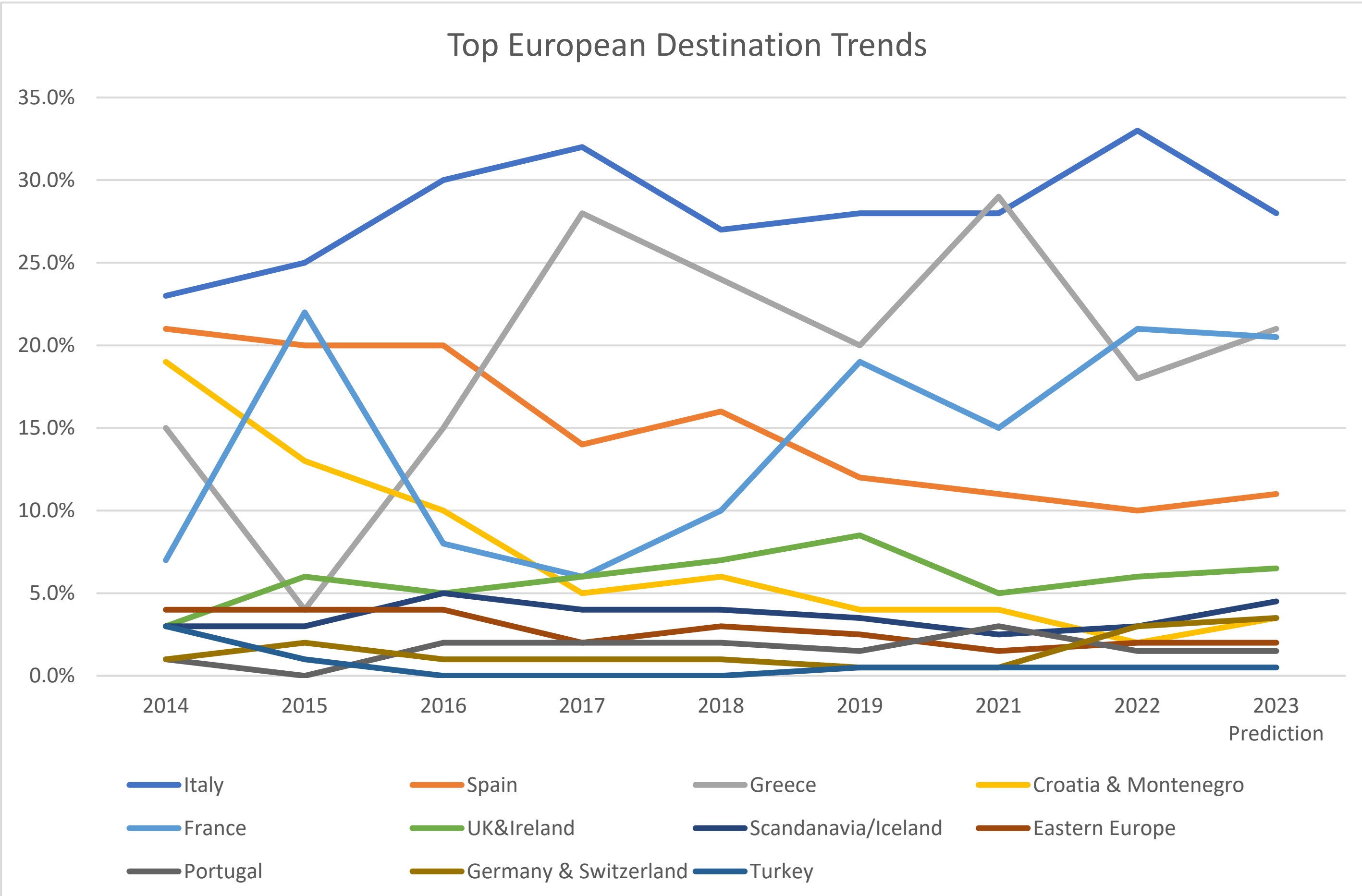
- **Seaside resorts** historically command the largest segment of revenue to Europe and for 2023 continue to lead the market for us. DJ Centric resorts with beach clubs and night clubs saw the largest jump in advanced bookings with jetsetter.

- **Nature Experiences**: Nature experiences are still not huge business drivers for Embark clients but we are seeing growth. Demand for active travel in the Dolomites grew 41% in 2022 from 2019, with interest in Switzerland and Norway growing about 12%. We believe with better positioning we can grow this market as well as we have the American West over Covid.

- **Top Drivers to Europe include:**
  - Revelry- Beach club and night club atmosphere up about 34%
  - Shopping - up about 21%
  - Active travel and hiking – up about 10%
  - Food & Wine experiences - up about 6%
  - Cultural exhibitions - up about 4%
  - Wellness - up about 1%

Ski Europe: European Ski was the weakest category of business to Europe and the only one in decline. The startling lack of snow in the Alps was by far the biggest reason why we saw a 46% drop in business to European ski resorts from 2019 and 12% drop over 2022. And while climate change has wreaked havoc on the Alps, it dumped almost endless kilometers of snow in the Rockies.

Below is a list of top European destinations and percentage of our summer European business over the past 6 years. We also include my predictions for 2023, which are based on peace in the region and trend.



Destination	2017	2018	2019	2021	2022	2023 Prediction
Italy	32.0%	27.0%	28.0%	30.0%	27.0%	24.5%
Spain	14.0%	16.0%	12.0%	11.0%	10.0%	12.0%
Greece	28.0%	24.0%	20.0%	18.0%	21.0%	21.0%
Croatia & Monten	5.0%	6.0%	4.0%	4.0%	2.0%	3.5%
France	6.0%	10.0%	19.0%	20.0%	23.0%	20.5%
UK&Ireland	6.0%	7.0%	8.5%	9.0%	7.0%	6.5%
Scandanavia/Icela	4.0%	4.0%	3.5%	2.5%	3.0%	4.5%
Eastern Europe	2.0%	3.0%	2.5%	1.5%	2.0%	2.0%
Portugal	2.0%	2.0%	1.5%	3.0%	1.5%	1.5%
Germany & Switze	1.0%	1.0%	0.5%	0.5%	3.0%	3.5%
Turkey	0.0%	0.0%	0.5%	0.5%	0.5%	0.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1) ***Sub-Saharan Africa***: Sub-Saharan Africa has been a darling since 2022, driven by our new **Embark Safaris** tour operator business. With all the post-pandemic chaos, connecting through nature in its most awe-inspiring glory, seems to call out to a broad segment of our client base, especially to families and clients in their 30's and 40's. The greatest growth comes from East Africa which was up 74% over 2019 and Botswana, up 56% over 2019. South Africa remains strong and composes 64% of Embark's business to southern Africa, as compared to an 88% market share in 2019. We are also seeing a significant number of clients returning to Africa. In 2018 and 2019 only about 12% of clients visiting had been on safari before. In 2023, 24% of our safari business was from clients who had been on safari before.

2) ***Middle East, Indian Ocean & Islamic-oriented Countries***: Demand for the Middle East grew by 12% in 2023 and 18% in 2022. The region is overall up 21% over 2019. The top 5 destinations driving the growth are the following in order of growth.
   - Dubai
   - Morocco
   - Israel
   - Egypt
   - Maldives

   Saudi Arabia continues to garner attention. While bookings are not significant yet, it is clearly on the horizon of growth. Though Dubai continued to be a gateway to the Maldives and surrounding areas, we saw an increase of 24% in business to the Emirate, as a destination in itself. The biggest growth market for Dubai actually came from the Jewish market, mostly outside of Israel. Though the Abraham Accords were specifically relating to Israel, it offered a warm welcome signal and a great level of comfort, encouraging Jews from America, Brazil and Mexico, heralding it the "new Miami" for many.

   The Indian Ocean remained steady for us, with the Maldives taking about 85% of the Indian Ocean resort market. Business in 2022 was incredible with a 41% growth in the US market and 45% growth from Brazil. Sadly, we have not seen growth in 2023 and expect pace to wane as more resort options open in Asia and beyond.

3) ***Asia Pacific***: Asia Pacific is poised for the most explosive growth in 2023; its only inhibitor is supply. Japan is seeing the biggest boom with demand up 63% over 2019 but actual bookings down 13% from 2019. Japan is not prepared for the luxury leisure market. Whilst hotels have space, there is a severe lack of guides, drivers and other leisure resources. Indeed, Japan is in 2023 what Italy was in 2022: the place everyone wants to visit. The country lost a significant number of hospitality workers since the pandemic closed to tourism for almost 3 full years. Instead, most of the actual growth is happening in Thailand, Indonesia, and Vietnam specifically. Thailand has been most prepared for demand as it was one of the first countries in Asia to open in the pandemic.

4) ***Australia/NZ***: Australia and New Zealand seemed poised for greatness when they reopened but it still remains one of the slowest to rebound. Airlift is the biggest inhibitor, with limited seat capacity and insanely expensive rates. Like Japan, many

hospitality workers left the industry, bringing many ground operators to a halt or severely limiting their capacity to take on demand. We believe 2024 will fare much better as new flights enter the marketplace including new longer hauls making access from new markets easier.

5) **French Polynesia** – Business to French Polynesia grew 28% in 2022 but seems to be declining for 2023 with pace down about 30%. Again, we attribute this to the opening of Asia and more advanced purchasing of summer travel to the Mediterranean.

6) **South America & Antarctica***:* South America started strong in 2022, with Argentina, Peru and Chile leading the way. Though the Brazilian market ventures off the continent it was still the leading supporter of its neighboring countries. For Americans, Peru started off with the biggest market share in the region which promptly came to a halt with its political turmoil. Argentina realized the biggest growth with a 22% gain over 2019. The leading driver of business to the country is value. Despite limited flight capacity and high flight costs, the leading driver was taking advantage of the Argentine "Blue Dollar", offering visitors up to a 60% discount based solely on exchange rate. Argentina's financial crisis is a continuing opportunity for visitors. Outside of the cosmopolitan city of Buenos Aires, the biggest draw of the country was for active travelers in Patagonia. The growth of the expedition market has brought additional spillover business both to Argentina and Chile and accounted for our 18% growth to the Galapagos. We expect the Galapagos and Antarctica to continue to gain momentum into 2024 as expedition and nature-oriented trips continue in popularity.

7) **Caribbean & Mexico:** 2022 was a stellar year in the Caribbean and Mexico. It accounted for almost 40% of our revenue. ADR in the region was a stunning $4,892 for the year. And while Q1 of 2023 was just 2% behind in revenue 2022, Q2 and beyond seem to be down 15-20%. We realize that 2021 and 2022 were artificially elevated as the US Market flocked to Mexico because it was one of the only open and easiest international destinations to visit. Once the Caribbean opened, Americans afraid to go further abroad kept demand high even off-season and into the summer. As the world continues to open, however, our clients spending all those high rates are opting to go somewhere 'new' and further afield. New supply in lead markets like Riviera Maya and Los Cabos will further strain RevPar, though we are seeing steady business to Mexico City and San Miguel Allende. Looking at St. Barts this past month was an indication that the Caribbean is softening as well. One of the busiest months on the most in-demand island in the region, St. Barts was starting to show signs of softening as space remained vacant in peak March weeks of 2023, with some luxury resorts offering incentives the market has not seen in almost a decade. Despite additional lift, we have seen a similar forward decline in surrounding islands like Anguilla, Antigua and Turks & Caicos. The Bahamas is the only island showing an increase in 2023.

8) **Canada**: Canada has shown little growth since 2019 and remains one of our weakest markets. Canadian Rockies were the strongest driver for business into Canada followed by British Colombia's Vancouver Island.

9) ***USA:*** *Domestic USA Markets Soften*. As predicted, once the world opened compression in domestic markets waned. The USA seems to be most impacted by post-Covid open boarders as Americans flock to the outer world faster than incoming tourists return. In 2022 the US domestic to international mix of American travelers returned to 30% of pre-Covid levels, with domestic accounting for just 29% of our overall business. Pace for 2023 shows Domestic USA business on target to land between 10-12% of our business mix.

Since Covid, Florida has been the bellwether of market performance. It was one of the first places to open and one of the first places to "explode" with demand and skyrocket with rates. It was also the first to soften beginning in April, 2022. By December, even coveted space during Art Basel was available. It wasn't long before "untouchable" locations like the California coast, the US National Parks, Southeast resorts, the ever-so-hot luxury ranches or even hot cities like New York all began to see a softer demand as the American "Covid bonanza" ended.

Domestic USA properties have had broader issues to contend with in trying to attract international travelers. It's no surprise the strong US Currency makes the USA 20-30% more expensive, inflation aside. Not only were Americans not focused on their backyard anymore, but international travelers moved their business elsewhere seeking better value as most hotel owners refused to read the memo about the world opening and kept rates at 2021/2022 levels. The high US currency fused with outlandish Covid-level rates made the USA a poor proposition for the international leisure and group traveler.

Another issue we are hearing involves fear and politics. There is a growing perception outside the USA that the country is no longer safe. The journalistic sensationalism common in the USA is now backfiring on itself. Aside from cities like San Francisco, Portland, New York and Chicago reporting significantly higher crime rates, homelessness, disarray, and drug issues, stories about mass shootings scare people that cannot fathom how people could own guns. Domestically we are starting to hear clients react to polarizing state politics. We hear clients coming to us with a litany of restrictions removing places like Florida, Texas, and Tennessee (among others) based on their 'Draconian' anti-LGBTQ or anti-abortion legislation, with others asking not to be exposed to destinations that are too 'liberal.' Both are something we've not ever seen before.

Another issue is US Customs and Immigration. Visa wait times for many nationals still have a 1-2 *year* backlog. For those who can enter, they are being deterred by 2-4 hour wait times at immigration (and there is no fast track or VIP greeter service in the USA). The latter has especially impacted international groups who are moving away from USA to avoid the anxiety of their foreign attendees. It has literally put the kibosh on several lucrative international meetings slated to be in the USA.

Hawaii: Hawaii exploded in 2022 with a 42% growth in overall revenue to the state, mostly due to increased revenue and desire for Americans avoid testing to return home. As expected, and in line with Florida, 2023 is down by about 20% and pace seems equally off for the remainder of the year.

Ski USA: The only segment in the Domestic USA that was up in 2023 was our domestic ski business, up just slightly at 4.5%. We attribute this to the generous feet of snow that even extended the American ski season well into April.

Drive Markets: While definitely weaker than the heart of Covid, we have been finding many clients still opting to stay local if they cannot afford to fly private, clearly trying to avoid the chaos of air travel.

10) ***Cruises***: Cruises were never a big part of our business mix. For most of our clients who are in the 30-55 age category with active lifestyles, cruises are still seen as too mass market or structured, severely lacking of the sense of place they seek. That being said, however, our cruise business has increased about 150% since 2019. As a percentage of our business it has grown from 2% to about 9% broken down as follows:
    - Mediterranean cruises: 39%
    - Expedition: 31% (Antarctica leads, then Galapagos)
    - River cruising: 20%
    - Caribbean: 5%
    - Other: 5%

    In general, cruise business to Europe increases when the dollar goes down against the Euro, but suffers when the Euro is weak against the dollar. Cruises that are thriving with us are localized river cruises (think Aqua Mekong, Belmond barges) and expedition ships that travel to places like Antarctica, the Galapagos, Papua New Guinea and other places not easily accessible to luxury travelers. Antarctica is the biggest growth up almost 250% over 2019 and 158% in pace over 2022/23 for sailings into 2024.

11) **Yacht Charters:** Interestingly, our yacht business continued to grow significantly. In 2022, yacht charters grew 28.3% over 2019, with revenue up 36% at an average price tag of $367,000 per week (excluding APA, etc). Pace for this summer shows an average charter at $401,543 with a growth in charters up just 8% from 2022. Our yacht charters are primarily in the Mediterranean (74%) and Caribbean (26%).

12) **Private Jets**: It's no news that private jet travel surged in 2021 and 2022. We are seeing a decline in 2023, with about 33% less private jet requests, most likely attributable to more reliable air lift, less health concerns with flying along with surging jet pricing. We've seen the biggest jump in private jet business regionally outside the USA, including Europe and South America.

13) **Ancillary Products*:*** What was once a small part of our revenue, ancillary products have risen in relevance due mostly to scarring travel debacles Covid. With losing bags almost a given, airport chaos and getting too sick to travel an ordinary occurrence, clients were much more willing to purchase ancillary products to ease travel concerns. Our three biggest categories were:

- **Travel Insurance** up 145% over 2019
- **Luggage Shipping** up 121% over 2019
- **VIP Greeters** up 168% over 2019

As much as we love to sell these, we expect demand for these products to decline as we hopefully return to a smoother and more predictable travel experience.

B. <u>Travel Drivers By The Numbers:</u>

At Embark we truly believe in selling by Aspiration not Destination. As such, it is very important to analyze the "why" behind what is driving people to a destination. This gives us the ability to cross sell and proactively sell new products to help manifest a client's inner drivers. Here are some of our top drivers:

- 58% want to return to a familiar place to reignite fond memories they experienced before covid.
- 61% of our clients wanted to travel with a small group of friends or extended families to experience.
- 32% wanted to travel to be active, challenge themselves or engage with nature.
- 21% wanted to reset their body with a wellness focus.
- 18% wanted to explore a new culture or destination.

1. ***<u>Wellness</u>**:* Wellness related experiences grew 41% over 2019. While wellness has been growing strong over the past decade, the exponential growth since Covid clearly reflects the emotional and physical strain Covid inflicted. Results-oriented wellness experiences were the market leaders, leading Embark to invest in further training and selling wellness experiences by deeper understanding market position and marketing results-focused wellness experiences. The biggest share of this business went to destination spas and pop-up instructor led experiences. European wellness is still not very popular with our American client base with under 8% of our wellness sales to European spas. About 42% were focused on physical fitness and weight-loss while 37% on yoga, meditation and mind grounding. Despite this, we expect wellness to decline in 2023 as people shift themselves back to pre-Covid "equilibrium". All those "my life has changed forever" resolutions are clearly being neglected as we are already seeing a decline in pace and demand.

2. ***Villa Vacations***: In line with the continuous growth of multi-generational and group gathering demand, villa vacations continue to grow with the greatest growth in what we call the "mega-villa" segment. It is no surprise villa experiences dominated our top line revenue in 2020 and 2021. Villa experiences continue to thrive in 2022 but for a decidedly different market. Families still account for the lion share of villa sales with about 60% of villa requests. However, a huge emerging market segment accounts for almost 30% of villa demand, and that is small gatherings of non-family constituents. See more on this growing market under "*Grand Gatherings*" herein. One thing important to note is that long-term villa stays have significantly declined. The days of 4-5 month villa or home rentals seem to be over. We have not seen any villa vacations lasting more than 2 weeks, with the average 6.5 nights.

3. **Celebrations:** Embark's Destination Celebration business in 2022 experienced exponential growth of nearly 70% over 2019. Pace for 2023 continues strong with an additional 26% on top of an epic 2022. Clearly 2022 was a "makeup year" for almost 2 years of postponed events or with clients just bursting to go "big" on celebrating life and bringing people together. While pace for 2024 looks strong, we expect to be flat or a bit down in 2024. Part of this reflects our pessimistic (realistic?) outlook on the market with more conservative budgets, while we also notice an increasingly difficult challenge in securing group space for celebrations as the corporate meeting and incentive space confirms contracts far more in advance than social groups. For 2022 and pace for 2023 market metrics are as follows:
    - Average Size: 246 guests
    - Average celebration spend: $2.9 million
    - Average length of stay for a celebration: 3.2 days
    - Destination Mix:
        - Europe: 62%
        - Caribbean/Mexico: 24%
        - Other International: 5%
        - USA: 9%

Our celebrations have ranged from destination weddings to destination bar mitzvahs, birthday celebrations, anniversaries, engagements and any other "excuse" people can have for a party!

In the past, Embark has chartered full-fledged cruise ships, taken over private islands, palaces, and hosted celebrations for 50-400 people in places like Courchevel, Tanzania, Mexico, Argentina, Anguilla, St. Tropez, Puglia, Crete, Rome, Costa Rica, Paris, Versailles, Morocco, the Bahamas, Dubai, New Zealand, Florida and South Africa. As you can see, the destinations run the globe. Weddings, however, seem to stay within the United States, Mexico and Caribbean with just over 60% of weddings staying in this region. The remainder are usually staged in Europe. We continue to focus on growing this lucrative segment which we expect will soon overtake our FIT business in revenue and profits.

4. <u>Grand Gatherings</u>: This is one of the most important market phenomena that has emerged from Covid. "Grand Gatherings" is a new category we define as groups of travelers ranging from 10-50 guests. With the exception of multi-generational families, it is a category with little comparative history, but of our groups, "grand gatherings" represent about 35% of our group transactions (of course as a percentage of revenue it is much lower than our celebrations).
    - Average Size: 19 guests
    - Average Grand Gathering spend: $64,300
    - Average length of stay for a celebration: 3.8 days
    - Domestic/International Mix:
        - Caribbean/Mexico: 54%
        - Europe: 20%
        - USA: 17%
        - Africa & the Middle East: 9%

Affinity Groups: It is clear that people continue to crave community and travel to build bonds between people within their community. Aside from multi-generational families, these groups range from groups such as:

- Small wellness groups
- Solo traveler groups
- 5-6 couples traveling together as friends
- 4-5 families traveling together
- Non-profit development

The types of affinity groups seem to reinvent themselves every day. They can literally be a group of people interested in botonny, food, art or fashion. We have also been serving a new generation of over-the-top bachelor and bachelorette parties. How about renting out a ranch and recreating summer camp for a couple's joint-bachelor/ette party? A foodie experience with daily cooking courses by a different Michelin star chef, followed by a cooking contest with all participants captained by the chef himself?

We also see an incredibly lucrative opportunity in developing the non-profit fundraisers. Rather than investing in large-scale galas, Covid showed some non-profits the huge potential from intimate travel experiences with top donors or potential donors often resulting in more lucrative and long-term commitments to the charity.

Top needs: Travel products geared to capture this trend will surely witness great success. The key components clients are looking are quite similar to multi-generational experiences except that they usually look to plan more activities.

1. **Empowered On-Site Coordinator -** One of the most important roles needed on-site is a grand-gathering coordinator. Sadly, most products have catering managers or concierges, leaving grand gathering clients struggling to find their "go-to".
2. **Shared private space** – Whether it is a big living room in a central villa or estate or a resort with villas, it seems lounging around in pajamas late at

night or early in the morning offers the best bonding time. Despite this, some properties have successfully created full-floor takeovers or retro-fitted a suite as a private lounge for everyone to gather. Small hotels have proved ripe for a takeover as demand for "takeover hotels" remain a growing product segment.

3. **Programming –** is becoming a bigger component of travel planning. Our new "***Embark Together***" brand works with clients to program experiences for our grand gatherings, including team-building games, speakers, content generation, and experiences.
4. **Access** - Easy access and non-stop flights to a destination remains extremely important for clients.

Despite this growth, multi-generational family vacations still account for the lion's share of small group business. In addition to the typical beach, ski and Disney vacations, families seem to be taking their children on more and more far-flung trips. Places like Africa, Australia/New Zealand, and Dubai/Maldives are among the most popular far-flung family experiences. The biggest growth markets for multi-gens seem to be Europe, South Africa, California, and Arizona. Many avid skiing families have begun looking more and more to European ski resorts. Cruises are still not a huge segment for our families unless they are headed to "cruise" destinations like Alaska.

As business starts to soften in first-to-reemerge markets like the Americas, we see embracing this opportunity market as a worthwhile initiative.

5. **Family Travel:** Family vacations are still extremely significant, accounting for 68% of travel in December and January but only 14% of travel in February. (Except President's Day weekend which is 84% family.) In March, it jumped back to 44% (attributed to an elongated Spring Break.) For June, it looks like it will jump back to nearly 40% of our business, declining again in July and August to 12%.

6. **Bizcations**: While Embark does not have a significant corporate business, we have been able to assess business travel as a driver for leisure travel. In 2022 we saw 23% of our trip leads driven by an "add-on" to an existing business trip. For 2023 this looks slightly up at 27%, seeing more people traveling on business than in 2022.

Top Destinations by Category:

Top 5 Far-Flung Destinations:
1. Japan & Southeast Asia (including Bali, Vietnam, Cambodia and Thailand)
2. South Africa
3. Maldives
4. Australia/New Zealand
5. Tanzania

Top 10 Multi-Gen Destinations:
1. Italy
2. Caribbean & Mexico
3. South Africa
4. U.S. Ranch and Parks
5. Morocco
6. South of France
7. London
8. South of Spain
9. Greece
10. Costa Rica

Top 10 Summer Retreats:
1. Amalfi Coast
2. Cote d'Azur
3. Lake Como
4. Greece (mainly Mykonos and Santorini)
5. Italy (other)
6. Ibiza
7. Provence
8. Marbella
9. U.S. Ranch Vacations and National Parks
10. Iceland

Top 10 Growth Destinations:
1. Japan
2. Ireland
3. Morocco
4. Portugal
5. Switzerland
6. Southeast Asia
7. Israel
8. Egypt
9. Scandinavia
10. Argentina

Top 10 Celebration Destinations:
1. Italy-led by Lake Como, Tuscany/Florence, and Amalfi
2. France – led by Paris and the Cote d'Azur
3. Mexico – led by Cabos, Riviera Maya, Punta Mita
4. St. Barts
5. Caribbean (other)
6. Southern Spain & Balearic Islands
7. Greece
8. Aspen
9. Morocco
10. South Africa

Opportunity Destinations:
1. Portugal
2. Switzerland
3. Peru
4. Indonesia
5. Slovenia & Montenegro
6. Australia & NZ
7. Argentina
8. Madrid
9. Turkey
10. Hong Kong

Top 10 Ski Destinations
1. Aspen
2. Courchevel
3. Deer Valley
4. St. Moritz
5. Whistler
6. Vail
7. Zermatt
8. Niseko
9. Dolomites
10. Megev

Top Honeymoon Destinations:
1. Italy
2. Greece
3. France
4. Dubai & Maldives
5. South Africa & Mauritius
6. Thailand & Vietnam
7. Caribbean
8. Mexico
9. Southern Spain
10. South Pacific

About EMBARK Beyond: Embark is an international luxury travel and lifestyle partnership group, attracting the very best forward-thinking talent through shared ownership. This cutting-edge concept in the luxury lifestyle space has helped the company launch with over $200 million in sales to a sharply focused, highly confidential black book of ultra-high net worth clients composed mostly of Gen-X and Millennial A-list celebrities, sports stars, Fortune 500 executives, dynamic financiers, entrepreneurs, and real estate moguls around the world. Not only does the company pride itself of creating tailored, meaningful global experiences for individuals, it also hosts the largest luxury social destination event businesses in the Americas. Embark's platform encourages synergies amongst partners touching an UHNWI's life with expert advisors specializing in an individual's preferences, passions, life goals and legacy.

About Jack Ezon: Jack S. Ezon is Founder and Managing Partner at Embark, a luxury lifestyle partnership specializing in bespoke travel experiences. In his role Jack oversees the company's direction, expansion plans, strategic partnerships, PR, and customer journey mapping while inspiring talent and business development.

Ezon is one of the most well-connected and influential travel advisors in the world, known as a true innovator and outspoken leader in the global luxury travel business. His deep and broad relationships coupled with his global black book of clients and local purveyors had him dubbed the "*Olivia Pope of travel*" by Bloomberg in 2018. Lauded for his ability to deliver luxury travel experiences tailored to the next generation of travelers, he has attracted a core group of UHNW Generation-X and Millennial clients and built one of the America's largest luxury social destination event businesses, partnering with an elite group of celebrity event planners to orchestrate incredible destination weddings, birthdays, and other celebrations around the world.

As a member of Virtuoso, Jack sat on the Hotels & Resorts Committee for 8 years and served as the first chairman of Virtuoso's Next-Gen Committee, a group focused on attracting the next generation of luxury travelers and advisors. Well respected by some of the world's most renowned hotel companies, Jack is often sought after for his insight on branding and product positioning, sitting on advisory boards for many travel companies including Belmond, Ritz Carlton, Aman, and Accor. Ezon has an eye for new talent, which is why he has focused his efforts on cultivating savvy Millennial advisors and has launched Embark as a lifestyle partnership, providing equity opportunities for forward-thinking leaders in the luxury lifestyle and travel space.

Previously, Jack built Ovation Travel's leisure business under the banner of Ovation Vacations and Ovation Celebrations, growing it from $3 million to over $350 million. A father of four, he graduated from New York University's Stern School of Business and received a J.D. from Cardozo School of Law.

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